79

UNDERVALUATION DUE TO ADOPTION OF LOWER MUTUALLY AGREED PRICE

MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

PUBLIC ACCOUNTS COMMITTEE 2008-2009

SEVENTY-NINTH REPORT

FOURTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

SEVENTY-NINTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2008-2009)

(FOURTEENTH LOK SABHA)

UNDERVALUATION DUE TO ADOPTION OF LOWER MUTUALLY AGREED PRICE

[Action Taken on 57th Report of Public Accounts Committee (14th Lok Sabha)]

MINISTRY OF FINANCE

(DEPARTMENT OF REVENUE)

Presented to Lok Sabha on 17*th December,* 2008
Laid in Rajya Sabha on 17*th December,* 2008

LOK SABHA SECRETARIAT
NEW DELHI

December, 2008/*Agrahayana,* 1930 *(Saka)*

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PART II

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2008-2009)

Prof. Vijay Kumar Malhotra — *Chairman*

Lok Sabha

2. Shri Furkan Ansari
3. Shri Vijay Bahuguna
4. Shri Khagen Das
5. Shri Sandeep Dikshit
6. Shri P.S. Gadhavi
7. Shri Shailendra Kumar
8. Shri Bhartruhari Mahtab
*9. Brajesh Pathak
10. Prof. M. Ramadass
#11. Shri Rajiv Ranjan 'Lalan' Singh
12. Shri Sita Ram
13. Shri Kharabela Swain
14. Shri Tarit Baran Topdar
15. Shri Arun Yadav

Rajya Sabha

16. Shri Raashid Alvi
17. Shri Prasanta Chatterjee
18. Shri B.K. Hariprasad
19. Shri Shanta Kumar
20. Prof. P.J. Kurien
21. Dr. K. Malaisamy
22. Sardar Tarlochan Singh

SECRETARIAT

1. Shri S.K. Sharma	—	*Secretary*
2. Shri A. Mukhopadhyay	—	*Joint Secretary*
3. Shri Gopal Singh	—	*Director*
4. Shri M.K. Madhusudhan	—	*Deputy Secretary-II*
5. Smt. A. Jyothirmayi	—	*Committee Officer*

* Ceased to be Member of Lok Sabha *w.e.f.* 14th November, 2008 consequent upon his election to Rajya Sabha.

#Resigned from membership of Lok Sabha *w.e.f.* 11th November, 2008.

INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this Seventy-ninth Report on action taken by Government on the Recommendations/Observations of the Public Accounts Committee contained in their 57th Report (14th Lok Sabha) on "Undervaluation due to adoption of lower mutually agreed price''.

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 1st December, 2008. Minutes of the sitting form Part II of the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

5. The Committee also place on record their appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached with the Committee.

NEW DELHI;
3 *December,* 2008
12 *Agrahayana,* 1930 (*Saka*)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report deals with the action taken by the Government on the Recommendations/ Observations of the Public Accounts Committee contained in their Fifty-seventh Report (Fourteenth Lok Sabha) on ''Undervaluation due to adoption of lower mutually agreed price''.

2. The Fifty-seventh Report of the Public Accounts Committee which was presented to Lok Sabha on 22nd November, 2007 contained six Recommendations/Observations. The Action Taken Notes have been received from the Ministry of Finance (Department of Revenue) in respect of all the Recommendations/Observations and these have been categorized as under:—

(i) Recommendations/Observations which have been accepted by the Government;

Recommendation Sl. Nos. 1 to 5 and 6 (Para Nos. 27 to 31 and 32)

Total : 6
Chapter-II

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the replies received from the Government;

-NIL-

Total : NIL
Chapter-III

(iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee and which require reiteration;

-NIL-

Total : NIL
Chapter-IV

(iv) Recommendations/Observations in respect of which Government have furnished interim replies;

-NIL-

Total : NIL
Chapter-V

GIST OF COMMITTEE'S RECOMMENDATIONS/OBSERVATIONS CONTAINED IN 57TH REPORT (14TH LOK SABHA)

3. In their Fifty-seventh Report, the Committee had dealt with issues relating to the concept of *'transaction value'* which was used to determine valuation of goods for computation of central excise duty. This concept was brought into effect from 1st July, 2000 replacing the earlier concept of '*normal value'* that was used for determination of assessable value on a normative basis. Audit scrutiny had revealed that five terminals of M/s Indian Oil Corporation Ltd. (IOCL) cleared/sold certain petroleum products at lower (Mutually agreed) rates to other oil companies on payment of duty on assessable value which was much less than that charged from their own outlets/terminals. This not only resulted in revenue loss but also in the inflow of extra consideration to these companies from ultimate consumers who were not given the benefit of lower excise duty and the price charged, not being the sole consideration for sale, could not be treated as 'transaction value' for the purpose of levy of duty. According to Audit even after dismantling of Administered Price Mechanism (APM) in April 2002, prices of petroleum products continued to be monitored and regulated by Oil Coordination Committee. Thus the basic price structure of the products which formed the basis for determination of retail outlet prices charged from the ultimate consumer remained uniform for all oil companies.Therefore, adoption of lower assessable value at the stage of clearance of the products by IOCL installations to other oil marketing companies resulted in lower duty realization without commensurate benefit to the consumers. However, the Committee find that the transactions that had taken place were in accordance with the agreement/MoU entered into between IOCL and other Oil Marketing Companies which was intended to reduce costs and to streamline their functioning. The Committee have been given to understand that it was on the basis of a direction of the Ministry of Petroleum and Natural Gas that the MOUs were concluded between the oil companies.

4. The Committee in their 57th Report had noted that the Ministry of Finance have taken some steps to resolve the issue by stipulating payment of duty by Oil Companies from the refinery point and by changing the duty structure with regard to MS and HDS to a combination of specific and *ad valorem* rates of duty *in lieu* of earlier *ad valorem* rates of duties. However, the Committee had found that the Ministry have not accepted the recommendations of the Departmental Task Force with regard to equalizing the incidence of duty on inter-OMC transactions by introducing a separate provision in the Central Excise law for valuation of petroleum products, taking it out of the ambit of Transaction Value concept and also to fix moving tariff values on the basis of dealer price. Since the Task Force was specially constituted to resolve the ticklish issue of valuation of petroleum products, the Committee had asked the Ministry to re-examine the whole issue in all its ramifications and arrive at a judicious decision in the matter so that the interest of Revenue would be well-protected in addition to facilitating smooth transportation and distribution of petroleum products across the country. Based on this re-examination, if necessary, the Ministry may carry out suitable amendments in the valuation provisions of Central Excise Law and the tariff structure so as to remove the existing ambiguities in the provisions and plug the possible misuse. The Committee had also felt that if necessary an Inter-Ministerial Group

comprising of representatives from the Ministry of Finance (Department of Revenue) and Ministry of Petroleum and Natural Gas and other concerned agencies may be constituted for this purpose so as to solve the problem of undervaluation and suppression of price in respect of Petroleum products be harmoniously resolved once and for all.

The Committee had also desired that the Ministry should enquire into instances of undervaluation of excisable goods in the light of Audit findings in their Reports for 2006 and 2007 and initiate corrective measures including incorporation of appropriate riders in the present provisions of Central Excise Act.

5. The Ministry of Finance (Department of Revenue) in their Action Taken Note have stated as under:

> "The excise duty structure on petroleum products was examined by the Government. With effect from 1.03.08, the effective rate of duty on Motor Spirit (commonly known as petrol) and High Speed Diesel (HSD) sold without a brand name, has been converted from a combination of *ad valorem* and specific rate to a purely specific rate, as follows:

Sl. No.	Item	Effective rate of duty	
		From	To
1.	Motor Spirit (petrol)	6% + Rs. 13 per litre	Rs. 14.35 per litre
2.	High Speed Diesel (HSD)	6% + Rs. 3.25 per litre	Rs. 4.60 per litre

The shift to specific rate of duty is in line with the recommendations of the Committee on Pricing and Taxation of Petroleum Products chaired by Dr. C. Rangarajan and the Advisory Group on Rationalisation of Customs and Excise Duty Structure on Crude and Petroleum Products chaired by Dr. Ashok Lahiri.

The Audit objections relating to valuation of excisable goods contained in Chapter XI of the Reports of the C&AG of India, Union Government (Indirect Taxes) (No. 7 of 2006 and No. 7 of 2007) have been examined. The objections relate *inter-alia* to revenue foregone due to non-valuation of branded goods on Maximum Retail Price (MRP) basis, undervaluation due to non-inclusion of additional considerations, undervaluation due to adoption of lower mutually agreed price, undervaluation of goods cleared for job work or sold through job worker, incorrect adoption of transaction value, undervaluation of goods sold through depots/stockyards, incorrect valuation of inputs/capital goods cleared as such, undervaluation of goods cleared to related person, incorrect valuation of goods on cost basis, etc.

The objections in Chapter XI of Report No. 7 of 2006 relate to 65 Draft Audit Paras (DAPs), and the objections in Chapter XI of Report No. 7 of 2007 relate to 26 DAPs. Comments and Action Taken Notes have been sent to the Office of the C&AG of India in all the cases. 24 DAPs relating to Report No. 7 of 2007 have been admitted and 2 DAPs have been partly admitted. 36 DAPs relating to Report No. 7 of 2006 have been admitted, 1 DAP has been partly admitted, and 28 DAPs have not been admitted. In the cases where the Audit objection has been

admitted, necessary action has been initiated to recover the duty in accordance with law. 39 DAPs relating to Report No. 7 of 2006 and 16 DAPs relating to Report No. 7 of 2007 have been settled by the Office of the C&AG of India.

Further, amendments in the statutory provisions have been effected as follows. In Paragraph 11.1 of Report No. 7 of 2006, Audit had pointed out that non-inclusion of branded automobile spare parts within the ambit of Section 4A of the Central Excise Act, 1944 resulted in revenue being forgone. With effect from 1-6-2006 *'parts, components and sub-assemblies of automobiles'* have been included in Notification No. 2/2006-CE (NT) dated 1-3-2006, for the purpose of assessment on the basis of Maximum Retail Price under Section 4A of the Central Excise Act, 1944. Further, in Paragraph 11.4 of the same report, Audit had pointed out the anomaly of differential duty liability on same/similar goods manufactured by principal manufacturer *vis-a-vis* manufactured through job worker; due to adoption of lower transaction value in the latter case. Rule 10A has been inserted in the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 by Notification No. 9/2007-CE(NT) dated 1-3-2007. this rule provides for valuation of excisable goods produced or manufactured by a job-worker on behalf of the principal manufacturer".

6. The Committee are satisfied to note that the Government have examined the excise duty-structure on petroleum products and revised the effective rate of duty on Motor Spirit and High Speed Diesel, sold without a brand name, to a purely specific rate from a combination of *ad valorem* and specific rate with effect from 1.3.2008. In respect of instances of undervaluation of excisable goods pointed out by Audit in their findings in subsequent Audit Reports, *vis* for the years 2006 and 2007, the Committee are pleased to note that the Ministry have initiated necessary action for recovering the duty that were due to Government. The Committee would like to be apprised of the details in this regard such as total quantum of outstanding duty *vis-a-vis* recoveries that have been made thereagainst.

7. The Committee further note that in pursuance of their recommendation the Ministry have effected amendments in the relevant statutory provisions paving the way for inclusion of *'parts, components and sub-assemblies of automobiles'* for the purpose of assessment on the basis of Maximum Retail Price under Section 4A of Central Excise Act, 1944 and insertion of Rule 10A in Central Excise Valuation (Determination of Price of Excisable Goods) Rules 2000, for purpose of valuation of excisable goods produced or manufactured by a job-worker on behalf of principal manufacturer. The Committee hope that these steps would help in removing the anomalies/ambiguities surrounding valuation of excisable goods under the Central Excise Act, and help protect the Government revenue. The Committee would like to be informed about the impact of these changes on the collection of excise revenue.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Ministry of Finance (Department of Revenue)

Observation/Recommendation

27. The concept of 'transaction value' to determine valuation of goods for computation of central excise duty was brought into effect from 1 July 2000 replacing the earlier concept of 'normal value', that is determination of assessable value on a normative basis. Section 4(3)(d) of Central Excise Act, 1944 defines 'transaction value' as the price actually paid or payable for the goods, when sold, and includes in addition to the amount charged as price, any amount the buyer is liable to pay to or on behalf of the assessee, by reason of, or in connection with the sale payable at the time of sale or any other time. Transaction value, therefore, is the price actually paid for the goods sold when price is the sole consideration.

[Sl. No. 1, Para 27 of 57th Report of PAC, 14th Lok Sabha]

Action Taken

No action required.

Approved by Additional Secretary to the Government of India
(F.No. 238/9/2007-CX-7)

Ministry of Finance (Department of Revenue)

Observation/Recommendation

28. Audit scrutiny has revealed that five terminals of M/s Indian Oil Corporation Ltd. (IOCL) cleared/sold certain petroleum products to other oil companies on payment of duty on assessable value which was much less than that charged from their own outlets/terminals. Two key issues finding have emerged out of the audit findings — (a) the clearance of products at lower (mutually agreed) rates to other oil companies not only resulting in revenue loss but also in the inflow of extra consideration to these companies from ultimate consumers who were not given the benefit of lower excise duty, and (b) the price charged, not being the sole consideration for sale, could not be treated as 'transaction value' for the purpose of levy of duty.

[Sl. No. 2 Para 28 of 57th Report of PAC, 14th Lok Sabha]

Action Taken

No action required.

Approved by Additional Secretary to the Government of India
(F. No. 238/9/2007-CX-7)

Ministry of Finance (Department of Revenue)

Observation/Recommendation

29. Even after dismantling of Administered Price Mechanism (APM) in April 2002, prices of petroleum products continued to be monitored and regulated by Oil Coordination Committee. Thus the basic price structure of the products which formed the basis for determination of retail outlet prices charged from the ultimate consumer remained uniform for all oil companies. Therefore, adoption of lower assessable value at the stage of clearance of the products by IOCL, installations to other oil marketing companies resulted in lower duty realization without commensurate benefit to the consumers. However, the Committee find that the transactions that had taken place were in accordance with the agreement entered into between IOCL and other oil marketing companies. The gensis of the agreements amongst oil marketing companies was the change in the Central Excise Act coupled with the change in the regulation of the petroleum sector and the decision of the Government to have economies in the way in which the oil companies operated. The Memoranda of Understanding (MoUs) amongst the oil companies were intended to reduce costs and to streamline their functioning. These MoUs included not only product sharing but also sharing of infrastructure facilities and hospitality arrangements. The Committee have been given to understand that it was on the basis of a direction of the Ministry of Petroleum and Natural Gas that the MoUs were concluded between the oil companies.

[Sl. No. 3, Para 29 of 57th Report of PAC, 14th Lok Sabha]

Action Taken

No action required.

Approved by Additional Secretary to the Government of India
(F. No. 238/9/2007-CX-7)

Ministry of Finance (Department of Revenue)

Observation/Recommendation

30. From the foregoing, two conflicting viewpoints emerge on the issue. The first view, which is reflected in the audit paragraph and endorsed by the Commissioner of Central Excise, Vishakhapatnam, holds that the price of petroleum products removed/ sold to other oil companies under mutual agreement cannot be considered as 'sale' in term of the provisions of the Central Excise Act. This view considers such a mutually agreed price as only a notional price for product sharing with a view to ensuring smooth supply and distribution of petroleum products. As per the agreement itself, the parties to the agreement namely, the oil companies have entered into such an agreement for mutual benefit for using products of each other on terms and conditions contained in the agreement. It was thus concluded that the price at which the excise duty has been paid for such supplies under the Oil Exchange Agreement resulted in extra consideration to the Oil Marketing Companies (OMCs) and is thus not representative of transaction value as defined in the Central Excise Act. The Petroleum Product Exchange under the aforesaid Oil Sharing MoU enabled selling by the other Oil Companies through their depots/dealers at the same price at which these petroleum

products were sold at the Depots by the assessee himself. Therefore, the view emerged that the transaction value adopted for payment of duty on goods removed under Oil Exchange appeared to be a mere facade for sale with a view to evade proper payment of excise duty. It further gave rise to an apprehension that by signing a MoU, the OMCs have only sought to mutually benefit themselves. It has been contended that if one considers the transaction value as defined in Central Excise Act as the value at which the prices were actually paid for the goods, when price is the sole consideration, the price adopted for payment of duty for goods removed and sold in the instant case under Oil Exchange cannot be deemed as the price actually paid or payable for the goods sold. Citing this argument, the Commissioner of Central Excise, adjudicating the case, arrived at the conclusion that considering the provisions of the mutual agreement entered between the oil companies, the price on which the Central Excise Duty has been paid for clearances of goods under Oil Exchange does not represent the 'transaction value' as defined in the provisions of the Central Excise Act. Instead, he was of the view that the price at which the assessee sold the goods to their dealers shall be adopted as the transaction value/price at which the assessee was required to pay the duty.

[Sl. No. 4, Para 30 of 57th Report of PAC, 14th Lok Sabha]

Action Taken

No action required.

Approved by Additional Secretary to the Government of India
(F. No. 238/9/2007-CX-7)

Ministry of Finance (Department of Revenue)

Observation/Recommendation

31. The alternate view on this issue, as adjudicated by the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) and upheld by the Hon'ble Supreme Court and now endorsed by the Ministry of Finance (Department of Revenue) in their submissions to the Committee, affirms that the mutually agreed price between the oil companies does not violate the provisions of the Central Excise law. This viewpoint propounds that the amended provisions [Section (4)] of the Central Excise Act essentially seeks to accept different transaction values, which may be charged by the assessee to different customers, for assessment purpose so long as these are based upon purely commercial consideration where the buyer and the seller have no relationship and price remains the sole consideration for sale. This enables valuation of goods for excise purposes on value charged as per commercial practice rather than looking for a notional value. It has further been stated in support of this viewthat the agreement among the Oil Marketing Companies (OMCs) has been entered into on a directive from the Ministry of Petroleum and Natural Gas in order to facilitate optimal utilization of the market facilities of the various oil companies across the country and for reducing the cost of transportation. It was felt that it would be better for a refinery to market its product at a nearby marketing facility owned by another company than to send the same to its own marketing facility at a far-off place. The Tribunal, which considered this case, was thus of the view that there was no ground to hold that the

mutually agreed price among the oil companies was not transaction value under the law. It was concluded that such a mutual agreement among the OMCs was only to ensure smooth distribution of the petroleum products and the formula arrived at by them for fixing the selling price of the petroleum products was the genuine selling price.

[Sl. No. 5, Para 31 of 57th Report of PAC, 14th Lok Sabha]

Action Taken

No action required.

Approved by Additional Secretary to the Government of India

(F. No. 238/9/2007-CX-7)

Ministry of Finance (Department of Revenue)

Observation/Recommendation

32. In the meantime, the Committee note that the Ministry of Finance have taken some steps to resolve the issue by stipulating payment of duty by Oil Companies from the refinery point and by changing the duty structure with regard to HS and HDS to a combination of specific and *ad valorem* rates of duty *in lieu* of earlier *ad valorem* rates of duties. Further, the price for the sale from one Oil Company to another is currently based on trade parity price (weighted average of 20% export parity price and 80% of import parity price). However, the Committee find that the Ministry have not accepted the recommendations of the Departmental Task Force with regard to equalizing the incidence of duty on inter-OMC transactions by introducing a separate provision in the Central Excise law for valuation of petroleum products, taking it out of the ambit of Transaction Value concept and also to fix moving tariff values on the basis of dealer price. As the Task Force was specially constituted to resolve the ticklish issue of valuation of petroleum products, the Committee would like the Ministry to re-examine the whole issue in all its ramifications and arrive at a judicious decision in the matter so that the interest of revenue stands well-protected at the same time facilitating smooth transportation and distribution of petroleum products across the country. Based on this re-examination if necessary, suitable amendments may be carried out in the valuation provisions of central excise law and that tariff structure so as to remove the existing ambiguities in the provisions and plug the possible misuse. If required, an Inter-ministerial Group comprising of representatives from the Ministry of Finance (Department of Revenue) and Ministry of Petroleum and Natural Gas and other concerned agencies may be constituted for this purpose so that the problem of undervaluation and suppression of price in respect of petroleum products is harmoniously resolved once and for all.

In the light of findings in the subsequent Audit Reports *viz.* for the years 2006 and 2007 regarding undervaluation of excisable goods, the Committee would also like the Ministry to enquire into instances of undervaluation of excisable goods initiate corrective measures including incorporation of appropriate riders in the present provisions. The Committee would await the Ministry's response in this regard.

[Sl. No. 6, Para 32 of 57th Report of PAC, 14th Lok Sabha]

Action Taken

The excise duty structure on petroleum products was examined by the Government. With effect from 1-03-08, the effective rate of duty on Motor Spirit (commonly known as petrol) and High Speed Diesel (HSD) sold without a brand name, has been converted from a combination of *ad valorem* and specific rate to a purely specific rate, as follows:

Sl. No.	Item	Effective rate of duty	
		From	To
1.	Motor Spirit (petrol)	6%+Rs. 13 per litre	Rs. 14.35 per litre
2.	High Speed Diesel (HSD)	6%+Rs. 3.25 per litre	Rs. 4.60 per litre

The shift to specific rate of duty is in line with the recommendations of the Committee on Pricing and Taxation of Petroleum Products chaired by Dr. C. Rangarajan and the Advisory Group on Rationalisation of Customs and Excise Duty Structure on Crude and Petroleum Products chaired by Dr. Ashok Lahiri.

The audit objections relating to valuation of excisable goods contained in Chapter XI of the Reports of the C&AG of India Union Government — Indirect Taxes (No. 7 of 2006 and No. 7 of 2007) have been examined. The objections relate to, *inter alia,* revenue foregone due to non-valuation of branded goods on Maximum Retail Price (MRP) basis, undervaluation due to non-inclusion of additional considerations, undervaluation due to adoption of lower mutually agreed price, undervaluation of goods cleared for job work or sold through job worker, incorrect adoption of transaction value, undervaluation of goods sold through depots/stockyards, incorrect valuation of inputs/capital goods cleared as such, undervaluation of goods cleared to related person, incorrect valuation of goods on cost basis, etc.

The objections in Chapter XI of Report No. 7 of 2006 relate to 65 Draft Paras (DAPs), and the objections in Chapter XI of Report No. 7 of 2007 relate to 26 DAPs. Comments and Action Taken Notes have been sent to the office of the C&AG of India in all the cases. 24 DAPs relating to Report No. 7 of 2006 have been admitted and 2 DAPs have been partly admitted. 36 DAPs relating to Report No. 7 of 2006 have been admitted, 1 DAP has been partly admitted, and 28 DAPs have not been admitted. In the cases where the audit objection has been admitted, necessary action has been initiated to recover the duty in accordance with law. 39 DAPs relating to Report No. 7 of 2006 and 16 DAPs relating to Report No. 7 of 2007 have been settled by the office of the C&AG of India.

Further, amendments in the statutory provisions have been effected as follows. In Paragraph 11.1 of Report No. 7 of 2006, audit had pointed out that non-inclusion of branded automobile spare parts within the ambit of Section 4A of the Central Excise Act, 1944 resulted in revenue being foregone. With effect from 1-6-2006 'parts, components and sub-assemblies of automobiles' have been included in Notification No. 2/2006-CE(NT) dated 1-3-2006, for the purpose of assessment on the basis of Maximum Retail Price under Section 4A of the Central Excise Act, 1944. Further, in Paragraph

11.4 of the same report, audit had pointed out the anomaly of differential duty liability on same/similar goods manufactured by principal manufacturer *vis-a-vis* manufactured through job worker; due to adoption of lower transaction value in the latter case. Rule 10-A has been inserted in the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 by Notification No. 9/2007-CE(NT) dated 1-3-07. This rule provides for valuation of excisable goods produced or manufactured by a job-worker on behalf of the principal manufacturer.

Approved by Additional Secretary to the Government of India
(F. No. 238/9/2007-CX-7)

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

—NIL—

CHAPTER-IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

—NIL—

CHAPTER-V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

—NIL—

NEW DELHI;
3 *December*, 2008
12 *Agrahayana*, 1930 (*Saka*)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

PART II

MINUTES OF THE TENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2008-2009) HELD ON 1st DECEMBER, 2008

The Committee sat from 1130 hrs. to 1150 hrs. on 1st December, 2008 in Committee Room "B", Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Khagen Das
3. Shri P. S. Gadhavi
4. Shri Shailendra Kumar
5. Shri Bhartruhari Mahtab
6. Prof. M. Ramadass
7. Shri Sita Ram Singh
8. Shri Kharabela Swain
9. Shri Tarit Baran Topdar

Rajya Sabha

10. Shri Raashid Alvi
11. Dr. K. Malaisamy
12. Sardar Tarlochan Singh

SECRETARIAT

1. Shri S. K. Sharma	—	*Secretary*
2. Shri Gopal Singh	—	*Director*
3. Shri M. K. Madhusudhan	—	*Deputy Secretary-II*
4. Shri Sanjeev Sharma	—	*Deputy Secretary-II*

Officers of the office of the Comptroller and Auditor General of India

1. Ms. Malashri Prasad — DG (AB)
2. Shri Jayanti Prasad — Pr. Director (INDT)

2. At the outset, the Chairman PAC welcomed the Members and Audit officers to the sitting. The Committee then took up the following draft Action Taken Reports for consideration and adoption:

(i) **** **** ****

(ii) Draft Report on Action Taken on 57th Report of PAC (14th Lok Sabha) relating to ''**Undervaluation due to Adoption of Lower Mutually Agreed Price".**

3. After some deliberation, the Committee adopted the same with some minor changes and authorised the Chairman to finalise and present these Reports in the light of factual verification done by the Audit.

4. The Committee decided to hold their next sitting on 8th December, 2008.

The Committee then adjourned.

GMGIPMRND—4529LS—14-01-2009.